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C O N F I D E N T I A L KATHMANDU 001748

SIPDIS

STATE FOR SA/INS
LONDON FOR POL - RIEDEL

E.O. 12958: DECL: 09/09/2012
TAGS: [PGOV](#) [NP](#) [GON](#)
SUBJECT: NEPAL: INFLUENTIAL MINISTER ACCUSED OF CORRUPTION
RESIGNS

REF: A. (A) KATHMANDU 1618

[1B.](#) (B) KATHMANDU 1007
[1C.](#) (C) KATHMANDU 0485

Classified By: POL PMAHONEY. REASON: 1.5 (B,D).

[¶1.](#) (U) Minister for Physical Planning Chiranjibi Wagle, a close confidante of Prime Minister Sher Bahadur Deuba and perhaps the most influential member of his Cabinet, submitted his resignation from the Cabinet to the PM September 9. The resignation follows in-depth press coverage of Wagle's failure to disclose his own and his family's personal assets to a judicial commission specially appointed by the PM last March to review the finances of public officials (Ref C). Wagle, whose ministry controls the awarding of sought-after contracts for road construction and other infrastructure projects, had told the commission his personal savings amounted to less than USD 8,000. Journalists for the Kathmandu Post, Nepal's largest-circulation English daily, however, reported that his son, owner of a long-defunct travel agency, had failed to report hundreds of thousands of dollars in Nepali bank accounts--as well as a pricey piece of property in the heart of Kathmandu's tourist district--to the authorities. The story broke while the PM was on an official visit to EU headquarters in Brussels, leaving Wagle, the seniormost member of his Cabinet, as acting PM.

[¶2.](#) (SBU) Upon his return to Kathmandu Sept. 2, Deuba reportedly summoned his long-time friend and political ally to explain the controversy. Within a week, newspapers were reporting that the minister had submitted his resignation to the PM.

[¶3.](#) (C) One NGO activist told us Wagle followed up his resignation with a fence-mending visit to the PM's political rival, former Prime Minister Girija Koirala. A highly placed source within the PM's Nepali Congress Party told the Ambassador to expect more resignations to follow Wagle's. The Prime Minister will accept the resignations under the face-saving pretext that the former Ministers need time off to prepare for November 13 national elections. The PM will then form a more streamlined, leaner Cabinet. The source was unable to advise if the new Cabinet will be composed primarily of technocrats--as we and the British have advised (Ref B)--or members of the party faithful.

[¶4.](#) (C) Comment: Rumors about Wagle's personal corruption have long been circulating. The recent moves by the Commission to Investigate the Abuse of Authority (Ref A) to bring corrupt officials to book have resulted in an outpouring of positive public support--always desirable during an election season--for the initiative. Accepting Wagle's resignation--and encouraging similar moves by other members of his bloated Cabinet--could be a fairly painless way for the PM to capitalize on this groundswell. We hope the PM will use this opportunity to make some long-needed changes in the composition of his Cabinet, replacing some of his political cronies with qualified, non-partisan technocrats who can oversee the administration of his government during this crucial period.

MALINOWSKI